Consolidated Financial Statements
Consolidated Five–Year Summary

Penta–Ocean Construction Co., Ltd. and Consolidated Subsidiaries
Fiscal years ended March 31

	Millions of yen					Thousands of U.S. dollars
	2011	2012	2013	2014	**2015**	**2015**
Net sales	¥302,256	¥328,005	¥349,839	¥381,182	**¥426,238**	**$3,546,956**
Construction	289,661	316,239	341,067	372,367	**414,892**	**3,452,545**
Development business	1,553	2,460	1,143	2,447	**1,912**	**15,912**
Other	11,042	9,306	7,629	6,368	**9,434**	**78,499**
Total assets	286,225	311,917	296,726	301,627	**366,170**	**3,047,099**
Net assets excluding minority interests	60,454	62,382	65,080	67,339	**77,033**	**641,034**
Ordinary income	7,431	7,448	6,560	9,160	**11,393**	**94,808**
Income before income taxes and minority interests	5,516	6,308	5,018	8,740	**10,176**	**84,683**
Net income	2,163	1,622	2,030	3,763	**6,183**	**51,456**
Cash dividends	572	572	572	572	**1,144**	**9,517**

Per share of common stock:	Yen					U.S. dollars
Net assets excluding minority interests	¥211.44	¥218.19	¥227.63	¥235.53	**¥269.44**	**$2.24**
Net income	8.50	5.67	7.10	13.16	**21.63**	**0.18**
Cash dividends	2.00	2.00	2.00	2.00	**4.00**	**0.03**
Number of employees	2,954	2,924	2,911	2,905	**2,949**	

Note: Figures in U.S. dollars are converted for convenience only, at the rate of ¥120.17 per U.S.$1, prevailing on March 31, 2015.

Business Performance

The net sales for the Group amounted to ¥426,238 million (US$3,547.0 million), increased by ¥45,056 million (US$374.9 million) (11.8%) compared to the previous consolidated fiscal year. Operating profits totaled ¥12,293 million (US$102.3 million), increased by ¥2,397 million (US$19.9 million) (24.2%) compared to the previous consolidated fiscal year. Ordinary profits totaled ¥11,393 million (US$94.8 million), increased by ¥2,233 million (US$18.6 million) (24.4%) compared to the previous consolidated fiscal year. Current net profits totaled ¥6,183 million (US$51.5 million), increased by ¥2,420 million (US$20.1 million) (64.3%) compared to the previous consolidated fiscal year. Gross operating profits rose because of the favorable results in some of the overseas consolidated subsidiaries in addition to the increase in sales. All operating profits, ordinary profits, and current net profits achieved an increase.

Segment Information

In Our domestic Civil Engineering Business, public investment has been growing steadily due to the implementation of budgets for reconstruction from the Great East Japan Earthquake and supplementary budgets associated with the government's economic policy. In these circumstances, sales amounted to ¥147,785 million (US$1229.8 million), increased by ¥6,716 million (US$55.9 million) (4.8%) compared to the previous consolidated fiscal year. Segment profits totaled ¥5,307 million (US$44.2 million), decreased by ¥2,080 million (US$17.3 million) (-28.2%) compared to the previous consolidated fiscal year.

Our domestic Building Construction Business, private capital investment remains stable mainly due to the improvement of corporate earnings. In that situation, sales amounted to ¥130,766 million (US$1,088.2 million), increased by ¥2,972 million (US$24.7 million) (2.3%) compared to the previous consolidated fiscal year. Segment profits totaled ¥2,037 million (US$16.9 million), increased by ¥1,492 million (US$12.4 million) (273.5%) compared to the previous consolidated fiscal year.

Our overseas Construction Business has been growing steadily, mainly in social infrastructure in our major markets, Southeast Asia including Singapore and Hong Kong. Under the situation, sales amounted to ¥138,473 million (US$1,152.3 million), increased by ¥33,875 million (US$281.9 million) (32.4%) compared to the previous consolidated fiscal year. Segment profits totaled ¥4,820 million (US$40.1 million), increased by ¥2,187 million (US$18.2 million) (83.1%) compared to the previous consolidated fiscal year.

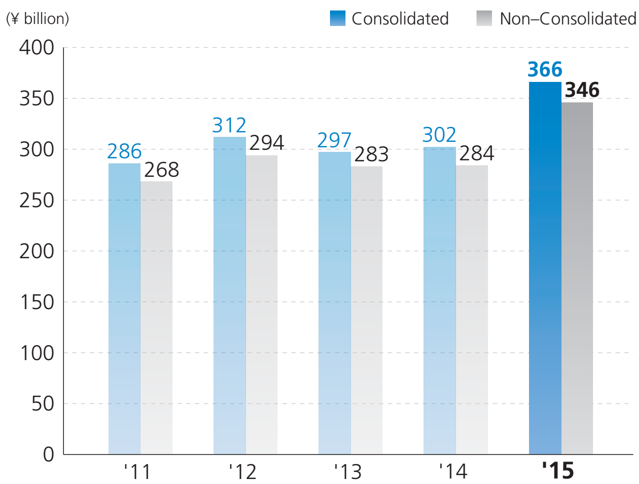
In Our domestic Development Business, sales amounted to ¥2,069 million (US$17.2 million), decreased by ¥538 million (US$4.5 million) (-20.6%) compared to the previous consolidated fiscal year. Segment deficit amounted to ¥279 million (US$2.3 million) (deficit of ¥988 million (US$8.2 million) in the previous consolidated fiscal year).

In our Other Businesses, mainly including sales of construction materials, machine leasing, shipbuilding and environment business, sales amounted to ¥10,197 million (US$84.8 million), increased by ¥3,138 million (US$26.1 million) (44.4%) compared to the previous consolidated fiscal year. Segment profits totaled ¥398 million (US$3.3 million), increased by ¥93 million (US$0.8 million) (30.4%) compared to the previous consolidated fiscal year.

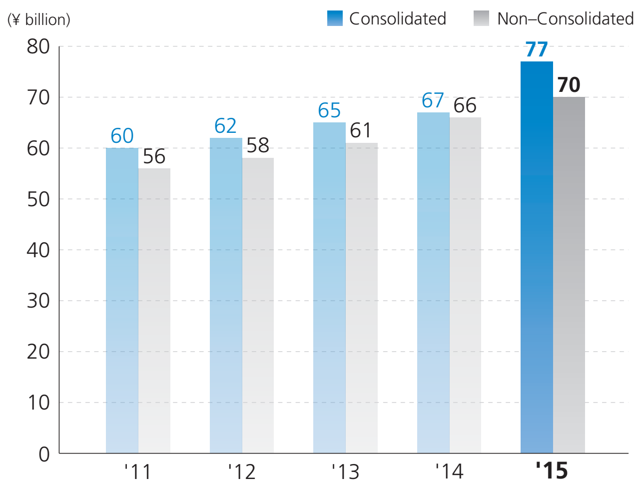
Orders Received and Contract Backlog

In the domestic civil engineering business, our non–consolidated construction orders received increased by 28.9% to ¥189,122 million (US$1,573.8 million) mainly due to an increase in government related constructions because of orders received for large–scale land works as well as an increase in constructions from the private sector. In the domestic building construction business, sales increased by 18.2% to ¥171,439 million (US$1,426.6 million) due to an increase in government related constructions despite a decrease in constructions from the private sector. In overseas building works, sales increased by 129.8% to ¥355,896 million (US$2,961.6 million) mainly due to several orders received for

Total Assets



Total Net Assets



large–scale works in Singapore and Hong Kong. In total, construction orders received increased by 60.4% to ¥722,340 million (US$6,011.0 million).

Financial Position

Total assets of our group increased by ¥64,543 million (US$537.1 million) compared to the previous consolidated fiscal year to ¥366,170 million (US$3,047.1 million) due to the increase of bills receivable, accounts receivable for completed project and other accounts receivable. Liabilities increased by ¥54,969 million (US$457.4 million) compared to the previous consolidated fiscal year to ¥289,102 million (US$2,405.8 million) due to the increase of bills payable, accounts payable for completed projects as well as the increase in interest–bearing debt. Net assets increased by ¥9,574 million (US$79.7 million) compared to the previous consolidated fiscal year to ¥77,068 million (US$641.3 million) mainly due to an increase in current net profits and the accumulated amount related to retirement benefits adjustment.

Cash Flows

With regard to cash flow from operations, although expenditures decreased by ¥9,625 million (US$80.1 million) compared to the previous consolidated fiscal year due to the recording of income before income taxes of ¥10,176 million (US$84.7 million), it resulted in an excess of ¥4,638 million (US$38.6 million) in expenditures (an excess of ¥14,263 million (US$118.7 million) in the previous consolidated fiscal year) mainly due to an increase in accounts receivable.

With regard to cash flow from investments, expenditures increased by ¥1,743 million (US$14.5 million) compared to the previous consolidated fiscal year mainly due to expenditures for the purchase of tangible fixed assets, and it resulted in an excess of ¥9,053 million (US$75.3 million) in expenditures (an excess of ¥7,310 million (US$60.8 million) in the previous consolidated fiscal year).

Free cash flow from operations and investments resulted in an excess of ¥13,691 million (US$113.9 million) in expenditures (an excess of ¥21,573 million (US$179.5 million) in the previous consolidated fiscal year).

Cash flow from financial activities resulted in an excess of ¥19,113 million (US$159.0 million) in revenues, increased by ¥15,948 million (US$132.7 million) in revenues compared to the previous consolidated fiscal year mainly due to the issuance of commercial papers (¥3,165 million (US$26.3 million) in the previous consolidated fiscal year).

From these results, cash and cash equivalents as of the end of this consolidated fiscal year increased by ¥5,925 million (US$49.3 million) (18.5%) compared to the previous consolidated fiscal year to ¥37,866 million (US$315.1 million). The balance of interest-bearing debts at the end of this fiscal year resulted in ¥94,896 million (US$789.7 million) (¥92,913 million (US$773.2 million) on a non–consolidated basis).

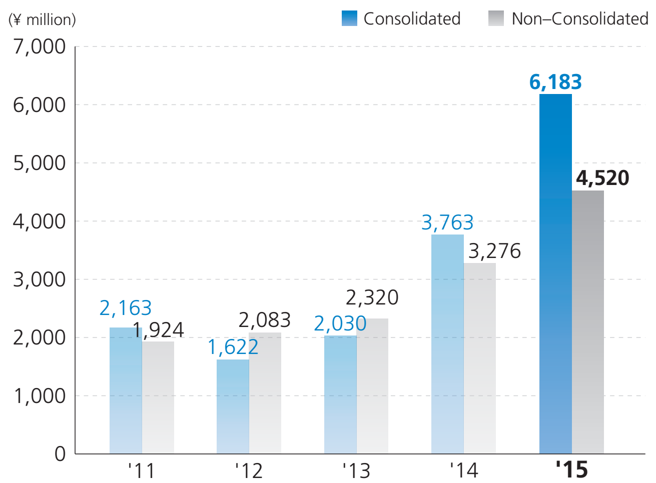
Dividends

Our basic policies are to increase earning power and enhance corporate value by forward–looking reinforcement of business infrastructure and implementation of technology development and capital investment, as well as to distribute stable dividends continuously to shareholders. Under these policies, we aim to achieve a dividend payout ratio of 20% to 25%. Upon considering the performance of the current fiscal year, progress in improving financial soundness, and business deployment in the future in an integrated manner, dividends of surplus for the current year were determined to be ¥4 per common share. The total amount of dividends was ¥1,144 million (US$9.5 million).

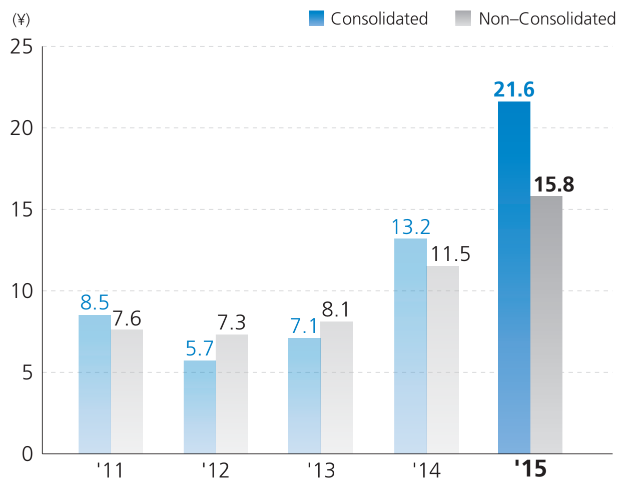
Our basic policy for dividends of surplus is a one–time payment annually at year–end and actual payment of dividends is determined by the shareholder’s meeting.

*Exchange rate at the term end US$1=¥120.17

Net Income



Net Income per Share



Consolidated Balance Sheet

Penta–Ocean Construction Co., Ltd. and Consolidated Subsidiaries
As of March 31

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Current assets:			
Cash and deposits (Note 20)	¥ 32,602	**¥ 38,469**	**$ 320,125**
Securities (Notes 3(3), 5, 6 and 20)	—	**43**	**356**
Trade receivables: (Note 20)			
Notes	4,811	**13,088**	**108,913**
Accounts	138,306	**183,834**	**1,529,781**
Inventories: (Note 3 (5))			
Costs on uncompleted construction contracts	9,264	**9,898**	**82,363**
Real estate for sale and development projects in progress	8,389	**10,455**	**87,002**
Other	2,098	**2,571**	**21,395**
Deferred tax assets (Note 17)	3,162	**2,722**	**22,655**
Other	4,639	**6,457**	**53,732**
Allowance for doubtful accounts (Note 3 (9))	(783)	**(1,020)**	**(8,487)**
Total current assets	202,488	**266,517**	**2,217,835**
Property, plant and equipment: (Notes 3 (6) and 3 (8))			
Land	41,902	**37,326**	**310,614**
Buildings and structures	33,665	**35,310**	**293,831**
Machinery, equipment and vehicles	14,892	**17,156**	**142,764**
Dredgers and vessels	55,878	**68,744**	**572,053**
Construction in progress	10,630	**862**	**7,176**
Total property, plant and equipment	156,967	**159,398**	**1,326,438**
Less: accumulated depreciation	(80,974)	**(82,733)**	**(688,463)**
Property, plant and equipment – net	75,993	**76,665**	**637,975**
Intangible assets (Note 3 (7))	1,090	**1,143**	**9,511**
Investments and other assets:			
Investment securities (Notes 3 (3), 5, 6 and 20)	15,403	**16,662**	**138,654**
Long–term loans receivables	1,137	**1,050**	**8,728**
Deferred tax assets (Note 17)	2,958	**522**	**4,348**
Net defined benefit asset (Note 19)	—	**1,261**	**10,497**
Other	6,664	**3,505**	**29,162**
Allowance for doubtful accounts (Note 3 (9))	(4,164)	**(1,232)**	**(10,251)**
Total investments and other assets	21,998	**21,768**	**181,138**
Deferred assets (Note 3 (21))	58	**77**	**640**
Total assets	¥301,627	**¥366,170**	**$3,047,099**

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Current liabilities:			
Short–term loans payable (Notes 7 and 20)	¥ 24,060	**¥ 27,255**	**$ 226,802**
Commercial papers (Notes 7 and 20)	—	**19,996**	**166,400**
Current portion of long–term loans payable and bonds payable (Notes 7 and 20)	23,357	**11,031**	**91,798**
Trade payable: (Note 20)			
Notes	28,134	**26,906**	**223,897**
Accounts	78,596	**103,117**	**858,097**
Electoronically recorded obligations–operating	5,772	**9,808**	**81,615**
Advance received on uncompleted construction contracts	16,229	**21,524**	**179,114**
Deposits received	10,227	**15,473**	**128,756**
Income taxes payable	2,072	**2,533**	**21,080**
Provision for loss on construction contracts (Note 3 (12))	2,707	**3,021**	**25,141**
Provision for warranties for completed construction (Note 3 (10))	877	**705**	**5,870**
Provision for bonuses (Note 3 (11))	1,353	**1,542**	**12,828**
Other	2,612	**2,743**	**22,820**
Total current liabilities	195,996	**245,654**	**2,044,218**
Non–current liabilities:			
Bonds payable (Notes 7 and 20)	10,000	**20,000**	**166,431**
Long–term loans payable (Notes 7 and 20)	17,521	**16,615**	**138,258**
Provision for directors' retirement benefits (Note 3 (13))	114	**140**	**1,162**
Net defined benefit liability (Notes 3 (14) and 19)	3,396	**118**	**980**
Deferred tax liabilities for land revaluation (Note 18 (2))	6,187	**5,382**	**44,790**
Other	919	**1,193**	**9,933**
Total non–current liabilities	38,137	**43,448**	**361,554**
Total liabilities	234,133	**289,102**	**2,405,772**
Commitments and contingent liabilities (Note 16)			
Net assets:			
Shareholders' equity:			
Capital stock	30,450	**30,450**	**253,391**
Authorized–599,135,000 shares			
Issued shares–286,013,910 shares 2014 and 2015			
Capital surplus (Note 18 (1))	18,387	**18,387**	**153,006**
Retained earnings (Note 18 (1))	11,729	**16,646**	**138,524**
Less: Treasury Shares	(25)	**(25)**	**(210)**
Total shareholders' equity	60,541	**65,458**	**544,711**
Accumulated other comprehensive income:			
Valuation difference on available–for–sale securities (Notes 3 (3) and 18 (3))	2,750	**3,607**	**30,018**
Deferred losses on hedges	(11)	**(17)**	**(146)**
Revaluation reserve for land (Note 18 (2))	6,568	**6,677**	**55,563**
Foreign currency translation adjustments (Note 3 (2))	(1)	**19**	**158**
Remeasurements of defined benefit plans (Notes 3 (14) and 19)	(2,508)	**1,289**	**10,730**
Total accumulated other comprehensive income	6,798	**11,575**	**96,323**
Minority interests	155	**35**	**293**
Total net assets	67,494	**77,068**	**641,327**
Total liabilities and net assets	¥301,627	**¥366,170**	**$3,047,099**

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statement of Income

Penta–Ocean Construction Co., Ltd. and Consolidated Subsidiaries
For the year ended March 31

	Millions of yen		Thousands of U.S. dollars
	2014	**2015**	**2015**
Construction business: (Note 3 (15))			
Net sales	¥372,367	**¥414,892**	**$3,452,545**
Cost of sales	347,514	**388,148**	**3,229,994**
Gross profit	24,853	**26,744**	**222,551**
Development business and other:			
Net sales	8,815	**11,346**	**94,411**
Cost of sales	9,003	**10,617**	**88,342**
Gross profit (loss)	(188)	**729**	**6,069**
Total:			
Total net sales	381,182	**426,238**	**3,546,956**
Total cost of sales	356,517	**398,765**	**3,318,336**
Total gross profit	24,665	**27,473**	**228,620**
Selling, general and administrative expenses	14,769	**15,180**	**126,320**
Operating income	9,896	**12,293**	**102,300**
Non–operating income:			
Interest and dividends income	292	**309**	**2,567**
Reversal of allowance for doubtful accounts	248	**47**	**392**
Other (Note 8)	376	**561**	**4,671**
	916	**917**	**7,630**
Non–operating expenses:			
Interest expenses	1,173	**1,019**	**8,481**
Foreign exchange losses	157	**538**	**4,476**
Other (Note 9)	322	**260**	**2,165**
	1,652	**1,817**	**15,122**
Ordinary income	9,160	**11,393**	**94,808**
Extraordinary income (Note 10)	370	**550**	**4,579**
Extraordinary losses (Note 11)	790	**1,767**	**14,704**
Income before income taxes and minority interests	8,740	**10,176**	**84,683**
Income taxes: (Notes 3(20) and 17)			
Current	2,338	**2,924**	**24,332**
Deferred	2,519	**985**	**8,199**
	4,857	**3,909**	**32,531**
Income before minoity interests	3,883	**6,267**	**52,152**
Minority interests in income	120	**84**	**696**
Net income	¥ 3,763	**¥ 6,183**	**$ 51,456**

	Yen		U.S. dollars
Net income per share of common stock (Notes 3(19) and 22)			
Basic	¥13.16	**¥21.63**	**$0.18**

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statement of Comprehensive Income

Penta–Ocean Construction Co., Ltd. and Consolidated Subsidiaries
For the year ended March 31

	Millions of yen		Thousands of U.S. dollars
	2014	**2015**	**2015**
Income before minority interests	¥3,883	**¥ 6,267**	**$52,152**
Valuation difference on available–for–sale securities	1,567	**857**	**7,136**
Deferred losses on hedges	(9)	**(8)**	**(66)**
Revaluation reserve for land	—	**550**	**4,570**
Foreign currency translation adjustments	21	**11**	**90**
Remeasurements of defined benefit plans	—	**3,797**	**31,599**
Share of other comprehensive income of associates accounted for by the equity method	1	**1**	**9**
Total other comprehensive income (Note 13)	1,580	**5,208**	**43,338**
Comprehensive income	¥5,463	**¥11,475**	**$95,490**
(Breakdown)			
Comprehensive income attributable to shareholders	¥5,339	**¥11,595**	**$96,485**
Comprehensive income (losses) attributable to minority interests	124	**(120)**	**(995)**

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statement of Changes in Net Assets

Penta–Ocean Construction Co., Ltd. and Consolidated Subsidiaries

For the year ended March 31, 2014

	Millions of yen				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of current period	¥30,450	¥18,387	¥ 8,635	¥(24)	¥57,448
Changes of items during period					
Dividends of surplus			(572)		(572)
Net income	—		3,763		3,763
Reversal of revaluation reserve for land			(97)		(97)
Purchase of treasury shares				(1)	(1)
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	3,094	(1)	3,093
Balance at the end of current period	¥30,450	¥18,387	¥11,729	¥(25)	¥60,541

	Millions of yen							
	Accumulated other comprehensive income							
	Valuation difference on available–for–sale securities	Deferred losses on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Minority interests	Total net assets
Balance at the beginning of current period	¥1,182	¥ (2)	¥6,471	¥(19)	¥ —	¥7,632	¥ 30	¥65,110
Changes of items during period								
Dividends of surplus								(572)
Net income								3,763
Reversal of revaluation reserve for land								(97)
Purchase of treasury shares								(1)
Net changes of items other than shareholders' equity	1,568	(9)	97	18	(2,508)	(834)	125	(709)
Total changes of items during period	1,568	(9)	97	18	(2,508)	(834)	125	2,384
Balance at the end of current period	¥2,750	¥(11)	¥6,568	¥ (1)	¥(2,508)	¥6,798	¥155	¥67,494

For the year ended March 31, 2015

	Millions of yen				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of current period	¥30,450	¥18,387	¥11,729	¥(25)	¥60,541
Cumulative effects of changes in accounting policies			(1,130)		(1,130)
Restated balance	30,450	¥18,387	10,599	(25)	59,411
Changes of items during period					
Dividends of surplus			(572)		(572)
Net income	—		6,183		6,183
Reversal of revaluation reserve for land			440		440
Purchase of treasury shares				(0)	(0)
Change in scope of equity method			(4)		(4)
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	6,047	(0)	6,047
Balance at the end of current period	¥30,450	¥18,387	¥16,646	¥(25)	¥65,458

	Millions of yen							
	Accumulated other comprehensive income							
	Valuation difference on available–for–sale securities	Deferred losses on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Minority interests	Total net assets
Balance at the beginning of current period	¥2,750	¥(11)	¥6,568	¥ (1)	¥(2,508)	¥ 6,798	¥155	¥67,494
Cumulative effects of changes in accounting policies								(1,130)
Restated balance	2,750	(11)	6,568	(1)	(2,508)	6,798	155	66,364
Changes of items during period								
Dividends of surplus								(572)
Net income								6,183
Reversal of revaluation reserve for land								440
Purchase of treasury shares								(0)
Change in scope of equity method								(4)
Net changes of items other than shareholders' equity	857	(6)	109	20	3,797	4,777	(120)	4,657
Total changes of items during period	857	(6)	109	20	3,797	4,777	(120)	10,704
Balance at the end of current period	¥3,607	¥(17)	¥6,677	¥19	¥ 1,289	¥11,575	¥ 35	¥77,068

For the year ended March 31, 2015

	Thousands of U.S. dollars				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of current period	$253,391	$153,006	$ 97,602	$(207)	$503,792
Cumulative effects of changes in accounting policies			(9,403)		(9,403)
Restated balance	253,391	153,006	88,199	(207)	494,389
Changes of items during period					
Dividends of surplus			(4,758)		(4,758)
Net income			51,456		51,456
Reversal of revaluation reserve for land			3,663		3,663
Purchase of treasury shares				(3)	(3)
Change in scope of equity method			(36)		(36)
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	50,325	(3)	50,322
Balance at the end of current period	$253,391	$153,006	$138,524	$(210)	$544,711

	Thousands of U.S. dollars							
	Accumulated other comprehensive income							
	Valuation difference on available–for–sale securities	Deferred losses on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Minority interests	Total net assets
Balance at the beginning of current period	$22,882	$ (88)	$54,656	$ (11)	$(20,869)	$56,570	$1,288	$561,650
Cumulative effects of changes in accounting policies								(9,403)
Restated balance	22,882	(88)	54,656	(11)	(20,869)	56,570	1,288	552,247
Changes of items during period								
Dividends of surplus								(4,758)
Net income								51,456
Reversal of revaluation reserve for land								3,663
Purchase of treasury shares								(3)
Change in scope of equity method								(36)
Net changes of items other than shareholders' equity	7,136	(58)	907	169	31,599	39,753	(995)	38,758
Total changes of items during period	7,136	(58)	907	169	31,599	39,753	(995)	89,080
Balance at the end of current period	$30,018	$(146)	$55,563	$158	$ 10,730	$96,323	$ 293	$641,327

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statement of Cash Flows

Penta–Ocean Construction Co., Ltd. and Consolidated Subsidiaries
For the year ended March 31

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 8,740	**¥10,176**	**$ 84,683**
Adjustment to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	4,663	**5,288**	**44,008**
Impairment loss	201	**1,440**	**11,980**
Increase (Decrease) in allowance for doubtful accounts	(2,267)	**(2,695)**	**(22,430)**
Increase (Decrease) in provision for retirement benefits	(352)	**—**	**—**
Increase (Decrease) in net defined benefit liability	3,396	**(3,294)**	**(27,414)**
Decrease (Increase) in net defined benefit asset	—	**983**	**8,184**
Retirement benefit expenses	—	**1,817**	**15,124**
Interest and dividends income	(292)	**(309)**	**(2,567)**
Interest expenses	1,173	**1,019**	**8,481**
Foreign exchange losses	(992)	**(1,492)**	**(12,414)**
Equity in (earnings) losses of affiliates	2	**(6)**	**(49)**
Loss (gain) on sales of property, plant and equipment	(218)	**96**	**795**
Loss (gain) on sales of investment securities	7	**(52)**	**(431)**
Loss on valuation of securities and investment securities	—	**3**	**27**
Change in assets and liabilities:			
Decrease (Increase) in notes and accounts receivable–trade	(17,753)	**(38,430)**	**(319,796)**
Decrease (Increase) in costs on uncompleted construction contracts	(633)	**(582)**	**(4,847)**
Decrease (Increase) in real estate for sale and development projects in progress and other inventories	595	**576**	**4,794**
Increase (Decrease) in notes and accounts payable–trade	(3,998)	**28,967**	**241,051**
Increase (Decrease) in advances received on uncompleted construction contracts	(1,070)	**5,295**	**44,061**
Increase (Decrease) in other provision	(344)	**504**	**4,185**
Other, net	(2,850)	**(10,682)**	**(88,896)**
Subtotal	(11,992)	**(1,378)**	**(11,471)**
Interest and dividends income received	277	**290**	**2,419**
Interest expenses paid	(1,139)	**(1,096)**	**(9,120)**
Income taxes paid	(1,409)	**(2,454)**	**(20,419)**
Net cash provided by operating activities	(14,263)	**(4,638)**	**(38,591)**
Cash flows from investing activities:			
Purchase of investment securities	(54)	**(292)**	**(2,434)**
Proceeds from sales and redemption of short–term and long–term investment securities	237	**147**	**1,225**
Purchase of property, plant and equipment	(8,207)	**(9,461)**	**(78,729)**
Proceeds from sales of property, plant and equipment	873	**450**	**3,746**
Payments of loans receivable	(70)	**(18)**	**(150)**
Collection of loans receivable	111	**203**	**1,688**
Other, net	(200)	**(82)**	**(684)**
Net cash used in investing activities	(7,310)	**(9,053)**	**(75,338)**

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Cash flows from financing activities:			
Net increase (decrease) in short–term loans payable	1,960	**3,158**	**26,282**
Net increase (decrease) in commercial papers	—	**19,996**	**166,400**
Proceeds from long–term loans payable	9,857	**10,120**	**84,214**
Repayment of long–term loans payable	(17,908)	**(13,387)**	**(111,400)**
Proceeds from issuance bonds payable	9,944	**9,943**	**82,738**
Redemption of bonds	—	**(10,000)**	**(83,215)**
Cash dividends paid	(569)	**(570)**	**(4,745)**
Other, net	(119)	**(147)**	**(1,228)**
Net cash provided by (used in) financing activities	3,165	**19,113**	**159,046**
Effect of exchange rate change on cash and cash equivalents	422	**503**	**4,187**
Net increase (decrease) in cash and cash equivalents	(17,986)	**5,925**	**49,304**
Cash and cash equivalents at the beginning of the period	49,927	**31,941**	**265,800**
Cash and cash equivalents at the end of the period	¥31,941	**¥37,866**	**$315,104**
(Note) (1) Cash and cash equivalents are comprised as follows:			
Cash and deposits	¥32,602	**¥38,469**	**$320,125**
Less–Time deposits with maturity over three months	(661)	**(603)**	**(5,021)**
Cash and cash equivalents (Note 3 (18))	¥31,941	**¥37,866**	**$315,104**

See accompanying Notes to Consolidated Financial Statements.

Notes to the Consolidated Financial Statements

Penta–Ocean Construction Co., Ltd. and Consolidated Subsidiaries

1. Basis of preparation of consolidated financial statements

The accompanying consolidated financial statements of Penta-Ocean Construction Co., Ltd. (the "Company") and consolidated subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan.

The accounting principles and practices adopted by the overseas consolidated subsidiaries conform to those adopted by the Company.

The figures in these financial statements are shown in U.S. dollars at the conversion rate of U.S.$1=¥120.17, the exchange rate prevailing on March 31, 2015. This is solely for the convenience of readers outside Japan and does not mean that assets and liabilities originating in yen can be converted into or settled in dollars at the above rate.

2. Consolidation

(1) Scope of consolidation and application of equity method

The Company has 27 subsidiaries and 3 affiliated companies as at March 31, 2015.

The Company consolidated all subsidiaries and applied the equity method to one affiliated company.

2 affiliated companies were not included in the scope of equity method, due to a small impact on consolidated financial statements and insignificant on the whole.

(2) Consolidated closing date

Consolidated closing date is March 31.

Closing date for the Company, 10 domestic subsidiaries and 10 overseas subsidiaries including Andromeda Five Pte. Ltd. is March 31.

Closing date for other 7 overseas subsidiaries is December 31. The Company compiled the consolidated financial statements using the financial statements of each company's closing date, and adjustments were made for any material difference incurred between their closing dates and the consolidated closing date.

3. Summary of significant accounting policies

(1) Conversion method of foreign currency transactions of the Company and its domestic subsidiaries and affiliated companies

Transactions in foreign currencies are converted into yen at the exchange rate prevailing at the time of the transactions. Monetary receivables and payables denominated in foreign currencies including foreign cash are converted into yen at the exchange rate prevailing on the closing date. Non–monetary items denominated in foreign currencies are converted into yen at the historical rate. Held–to–maturity bonds denominated in foreign currencies are translated into yen at the exchange rate prevailing on the closing date, securities for purpose of sale and investment securities other than the above are converted into yen from the fair value based on foreign currencies at the exchange rate prevailing on the closing date and stock of subsidiaries and affiliated companies at the exchange rate prevailing at the time of acquisition by the Company, and those are written down, when declined remarkably. The valuation amount of derivative financial instruments resulting from derivative transaction denominated in foreign currencies are translated at the exchange rate prevailing on the closing date based on the fair value or the actual value estimated in foreign currencies excluding those applying hedge accounting. Exchange gains or losses, realized or unrealized, are included in current income.

(2) Conversion method of financial statements of overseas subsidiaries stated in foreign currency

Financial statements stated in foreign currency are translated into yen at the exchange rate prevailing on the closing date except for the components of Net assets which are translated at the exchange rate prevailing at the time of acquisition by the Company and at the historical rate to their increase thereafter.

Exchange differences arising from conversion of balance sheet accounts are stated as foreign currency translation adjustments in Net assets.

(3) Investment securities

Held–to–maturity bonds are determined by the amortized cost method.

Other securities with fair value are stated at fair value based on the market price at the closing date. Valuation differences are included in Net assets as valuation difference on available–for–sale securities and cost of sales are determined by the moving average method.

Other investment securities with no fair value are stated at moving average cost.

(4) Derivative financial transactions

Derivative financial instruments are stated at fair value.

Hedge accounting is adopted for derivative financial instruments which conform to requirements of hedge accounting.

(5) Inventories

Inventories are stated at identified cost, except for raw materials and supplies which are stated at cost determined by the first–in first–out method.

In the case that the net realizable value falls below the historical cost at the end of the year, inventories except for cost on uncompleted construction contracts are carried at the net realizable value on the closing date.

(6) Property, plant, equipment and depreciation (excluding leased assets)

Property, plant and equipment are stated at cost and for the Company and its domestic subsidiaries. Depreciation is calculated using the declining balance method, except for buildings (other than building fixtures) acquired on and after April 1, 1998, which are calculated by the straight–line method. The straight–line method is applied to property, plant and equipment of overseas subsidiaries.

The Company and its domestic subsidiaries primarily use the useful lives and the residual value in accordance with the Corporation Tax Law.

(7) Research and development costs and computer software

Research and development costs are charged to income as incurred.

Computer software purchased for internal use is amortized by the straight–line method over 5 years, the estimated useful life.

(8) Leased assets

For leased assets under finance lease transactions that transfer ownership, the depreciation expense is calculated based on the same depreciation method as is applied to fixed assets owned by the Company and its subsidiaries.

For leased assets under finance lease transactions that do not transfer ownership, the depreciation expense is calculated under the straight–line method based on the assumption that the useful life equals to the lease term and the residual value equals to zero.

(9) Allowance for doubtful accounts

Allowance for doubtful accounts is accounted for using the estimated doubtful account ratio determined based on the past actual bad debt losses for general receivable and on the individual estimated uncollectible amount for any specific doubtful receivables.

(10) Provision for warranties for completed construction

The Company and its subsidiaries provision for the costs of repairs for damages related to completed construction works based on actual damages in the past and estimated amount of compensation for damages in the future.

(11) Provision for bonuses

To provide provision for the payment of bonuses for employees, the expected payment amount at end of this fiscal year is calculated.

(12) Provision for loss on construction contracts

The Company and its subsidiaries provide provision for future losses from construction contracts outstanding at the fiscal year end.

(13) Provision for directors' retirement benefits

Some subsidiaries provides provision for the amount required to be paid in accordance with internal rules for payment of severance benefits to directors and statutory auditors on the closing date.

(14) Net defined benefit liability

Net defined benefit liability is provided based on the projected benefit obligation and plan assets at end of the fiscal year.

Regarding determination of retirement benefit obligation, the benefit formula basis is adopted as the method of attributing expected benefit to the periods until this fiscal year end.

Transition effects of the application of the new accounting standards for retirement benefits are amortized by the straight–line method over 15 years.

Prior service costs are recognized as an expense when incurred.

Actuarial gain and loss are amortized by the straight–line method over the average remaining employees' service years, which should be over 10 years and the amortization starts in the next fiscal year of the respective accrual years.

Regarding lump–sum severance indemnity plan for some of the consolidated subsidiaries, the amount is calculated based on simplified method which assumes that the retirement benefit obligation would be the amount to be paid to employees who voluntarily retired at the year–end.

(15) Recognition of sales and cost of sales

For the construction projects with uncertain work progress by the end of the year, the percentage–of–completion method (based on cost proportion method to estimate the progress of such construction project) has been applied.

For other construction projects, the completed–contract method has been applied.

(16) Hedge accounting

1) Hedge accounting method

Derivative transactions are accounted for primarily using deferral hedge accounting. The special method is applied to interest rate swap agreements that meet the requirements for special treatments.

2) Hedging instruments and hedged items

Hedging instruments are interest rate swap agreements and forward exchange contracts.

Hedged items are interest on bank loans and monetary receivables and payables denominated in foreign currencies.

3) Hedging policy

The Company enters into interest rate swap agreements and forward exchange contracts to hedge risk from fluctuations in interest rate and forward exchange rates, respectively.

4) Evaluation of the effectiveness of hedge accounting

Control procedures for hedge transactions are executed according to the Company's bylaw. The Examination Committee of Derivative Instruments and the Financial Division in the Company periodically evaluates the effectiveness of hedging.

(17) Goodwill

Goodwill is amortized over 5 years by the straight–line method.

(18) Cash and cash equivalents

Cash and cash equivalents in the statement of cash flows, consist of cash, deposits which can be drawn out freely and easily converted into cash and short–term investments which have an original maturity of three months or less and are not exposed to significant valuation risks.

(19) Net income per share

Primary net income per share is calculated by the weighted average number of outstanding common stocks during the year.

Net income per share assuming full dilution is not presented because there were no potential stocks as of March 31, 2015.

(20) Income taxes

The Company and its consolidated domestic subsidiaries declare corporation and other taxes on the basis of taxable income calculated under the provisions of the Corporation Tax Law and other tax regulations. Taxable income thus calculated is different from earnings in the account book.

Japanese corporation and other taxes applicable to the Company and its consolidated domestic subsidiaries comprise (a) corporation tax of 25.5 percent on taxable income, (b) enterprise tax of 7.0 percent on taxable income after certain adjustments, (c) prefectural and municipal taxes averaging 20.4 percent of corporation tax, and (d) special reconstruction corporate tax of 10 percent on corporation tax (from April 1, 2013 to March 31, 2014). Enterprise tax paid is deductible for income tax purposes.

Foreign subsidiaries declare income taxes at the rate applicable in each country. Foreign tax credit related to the amount of income taxes paid to foreign tax offices by the Company directly or indirectly, is subject to certain limitations in accordance with Japanese tax regulations.

(21) Deferred assets

Expenses for issuance of bond is charged to the statement of income when payment is made. Expenses for opening business is evenly amortized for 5 years.

(22) Consumption tax

Transactions subject to consumption taxes are recorded exclusive of consumption taxes.

(23) Adoption of consolidated taxation system

The Company and some of its consolidated subsidiaries have adopted consolidated taxation system.

(24) Reclassifications

Certain amounts in prior year' s consolidated financial statements and related footnotes have been reclassified to conform to the presentation in the current year.

4. Change in accounting policy

(Change in Accounting Standard for Retirement Benefits)

The Company and its domestic subsidiaries adopted Section 35 of "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26 of May 17, 2012) and main clause of Section 67 of "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25 of May 17, 2012) effective from April 1, 2014. As a result, the methods of calculating the retirement benefit obligation and service cost have been revised in the following respects: the method for attributing projected benefits to each period has been changed from the straight–line basis to the benefit formula basis, and the method for determining the discount rate has been changed to use a single weight–average discount rate reflecting the expected timing and amount of benefit payments.

The cumulative effect of changing the method for calculating the retirement benefit obligation and service cost was recognized by adjusting retained earnings at April 1, 2014, in accordance with the transitional treatment provided in Paragraph 37 of Accounting Standard for Retirement Benefits.

As a result, net defined benefit liability increased by ¥1,755 million (U.S.$14,611 thousand) and retained earnings decreased by ¥1,129 million (U.S.$9,403 thousand) at April 1, 2014. The effect of this change on the consolidated statement of income and per share amounts for the fiscal year ended March 31, 2015 was immaterial.

5. Investment securities

(1) Held–to maturity debt securities

As of March 31, 2014	Millions of yen		
	Book value on consolidated B/S	Fair value	Difference
Securities whose fair value exceeds their book value on consolidated B/S:			
National and local government bonds	¥214	¥222	¥ 8
Corporate bonds	—	—	—
Other	—	—	—
Subtotal	¥214	¥222	¥ 8
Securities whose fair value doesn't exceed their book value on consolidated B/S:			
National and local government bonds	¥11	¥11	¥(0)
Corporate bonds	10	10	—
Other	—	—	—
Subtotal	¥ 21	¥ 21	¥(0)
Total	¥235	¥243	¥ 8

As of March 31, 2015	Millions of yen		
	Book value on consolidated B/S	Fair value	Difference
Securities whose fair value exceeds their book value on consolidated B/S:			
National and local government bonds	¥232	¥241	¥ 9
Corporate bonds	—	—	—
Other	—	—	—
Subtotal	¥232	¥241	¥ 9
Securities whose fair value doesn't exceed their book value on consolidated B/S:			
National and local government bonds	¥ 35	¥ 34	¥(1)
Corporate bonds	10	10	—
Other	—	—	—
Subtotal	¥ 45	¥ 44	¥(1)
Total	¥277	¥285	¥ 8

	Thousands of U.S. dollars		
	Book value on consolidated B/S	Fair value	Difference
Securities whose fair value exceeds their book value on consolidated B/S:			
National and local government bonds	$1,928	$2,003	$75
Corporate bonds	—	—	—
Other	—	—	—
Subtotal	$1,928	$2,003	$75
Securities whose fair value doesn't exceed their book value on consolidated B/S:			
National and local government bonds	$ 291	$ 285	$ (6)
Corporate bonds	83	83	—
Other	—	—	—
Subtotal	$ 374	$ 368	$ (6)
Total	$2,302	$2,371	$69

(2) Other securities

As of March 31, 2014	Book value on consolidated B/S	Acquisition cost	Difference
	Millions of yen		
Securities whose book value on consolidated B/S exceeds their acquisition cost:			
Stock	¥ 8,646	¥4,209	¥4,437
Bonds			
National and local government bonds	—	—	—
Corporate bonds	—	—	—
Other	—	—	—
Other	142	96	46
Subtotal	¥ 8,788	¥4,305	¥4,483
Securities whose book value on consolidated B/S doesn't exceed their acquisition cost:			
Stock	¥ 3,409	¥3,771	¥ (362)
Bonds			
National and local government bonds	—	—	—
Corporate bonds	100	100	—
Other	—	—	—
Other	—	—	—
Subtotal	¥ 3,509	¥3,871	¥ (362)
Total	¥12,297	¥8,176	¥4,121

(Note) Since unlisted stocks (balance on consolidated balance sheet ¥2,766 million) have no market value, have no estimated future cash flows and are quite difficult to determine the fair value, they are not included in "Other securities" above.

As of March 31, 2015	Book value on consolidated B/S	Acquisition cost	Difference
	Millions of yen		
Securities whose book value on consolidated B/S exceeds their acquisition cost:			
Stock	¥13,079	¥7,770	¥5,309
Bonds			
National and local government bonds	—	—	—
Corporate bonds	—	—	—
Other	—	—	—
Other	—	—	—
Subtotal	¥13,079	¥7,770	¥5,309
Securities whose book value on consolidated B/S doesn't exceed their acquisition cost:			
Stock	¥ 368	¥ 454	¥ (86)
Bonds			
National and local government bonds	—	—	—
Corporate bonds	100	100	—
Other	—	—	—
Other	—	—	—
Subtotal	¥ 468	¥ 554	¥ (86)
Total	¥13,547	¥8,324	¥5,223

	Book value on consolidated B/S	Acquisition cost	Difference
	Thousands of U.S. dollars		
Securities whose book value on consolidated B/S exceeds their acquisition cost:			
Stock	$108,841	$64,662	$44,179
Bonds			
National and local government bonds	—	—	—
Corporate bonds	—	—	—
Other	—	—	—
Other	—	—	—
Subtotal	$108,841	$64,662	$44,179
Securities whose book value on consolidated B/S doesn't exceed their acquisition cost:			
Stock	$ 3,065	$ 3,779	$ (714)
Bonds			
National and local government bonds	—	—	—
Corporate bonds	832	832	—
Other	—	—	—
Other	—	—	—
Subtotal	$ 3,897	$ 4,611	$ (714)
Total	$112,738	$69,273	$43,465

(Note) Since unlisted stocks (balance on consolidated balance sheet ¥2,772 million (U.S.$23,071 thousand)) have no market value, have no estimated future cash flows and are quite difficult to determine the fair value, they are not included in "Other securities" above.

(3) Other securities sold during the fiscal year

As of March 31, 2014	Millions of yen		
	Sales value	Total of gain on sale	Total of loss on sale
Stock	¥ —	¥ —	¥ —
Bonds			
National and local government bonds	—	—	—
Corporate bonds	—	—	—
Other	87	—	7
Other	—	—	—
Total	¥ 87	¥ —	¥ 7

As of March 31, 2015	Millions of yen		
	Sales value	Total of gain on sale	Total of loss on sale
Stock	¥ —	¥ —	¥ —
Bonds			
National and local government bonds	—	—	—
Corporate bonds	—	—	—
Other	147	52	—
Other	—	—	—
Total	¥ 147	¥ 52	¥ —

	Thousands of U.S. dollars		
	Sales value	Total of gain on sale	Total of loss on sale
Stock	$ —	$ —	$ —
Bonds			
National and local government bonds	—	—	—
Corporate bonds	—	—	—
Other	1,225	431	—
Other	—	—	—
Total	$1,225	$431	$ —

(4) Impairment of investment securities

	Millions of yen		Thousands of U.S. dollars
	2014	**2015**	**2015**
Other securities			
Stock	¥ —	**¥ 3**	**$27**

6. Pledged assets

The following assets are pledged for fulfillment of construction contracts at March 31, 2014 and 2015.

	Millions of yen		Thousands of U.S. dollars
	2014	**2015**	**2015**
Securities	¥ —	**¥ 33**	**$ 273**
Real estate for sale	563	**644**	**5,357**
Investment securities	308	**304**	**2,530**
Other (Investment and other assets)	5	**5**	**41**
Total	¥876	**¥986**	**$8,201**

7. Short–term loans, long–term loans, commercial papers and bonds payable

Short–term and long–term loans, commercial papers and bonds payable as of March 31, 2014 and 2015 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Short–term loans from banks and insurance companies	¥24,060	**¥27,255**	**$226,802**
(The weighted average interest rate is 0.68%.)			
Commercial papers	—	**19,996**	**166,400**
(The weighted average interest rate is 0.11%.)			
Long–term loans from banks and insurance companies due through 2027	¥30,878	**¥27,646**	**$230,056**
(The weighted average interest rate is 1.31%.)			
1.25% unsecured bonds payable due 2015	10,000	**—**	**—**
0.87% unsecured bonds payable due 2019	10,000	**10,000**	**83,215**
0.68% unsecured bonds payable due 2022	—	**10,000**	**83,215**
Less: current portion	(47,417)	**(58,282)**	**(485,000)**
Total	¥27,521	**¥36,615**	**$304,688**

The aggregate annual maturity of short–term and long–term loans, commercial papers and bonds payable after March 31, 2015 is as follows:

Year ending March 31,

2016	**¥58,282**	**$485,000**
2017	**7,680**	**63,912**
2018	**4,045**	**33,655**
2019	**13,063**	**108,707**
2020	**1,704**	**14,175**
2021 and thereafter	**10,123**	**84,240**
Total	**¥94,897**	**$789,688**

8. Non–operating income

The composition of Non–operating income–other for the fiscal years ended March 31, 2014 and 2015 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Real estate rent	¥ 83	**¥ 97**	**$ 805**
Other	293	**464**	**3,866**
Total	¥376	**¥561**	**$4,671**

9. Non–operating expenses

The composition of Non–operating expenses–other for the fiscal years ended March 31, 2014 and 2015 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Equity in losses of affiliates	¥ 2	**¥ —**	**$ —**
Other	320	**260**	**2,165**
Total	¥322	**¥260**	**$2,165**

10. Extraordinary income

The composition of Extraordinary income for the fiscal years ended March 31, 2014 and 2015 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Gain on sales of non–current assets	¥256	**¥ 82**	**$ 679**
Gain on bargain purchase	—	**200**	**1,664**
Gain on forgiveness of debts	50	**—**	**—**
Subsidy income	16	**190**	**1,578**
Other	48	**78**	**658**
Total	¥370	**¥550**	**$4,579**

Gain on bargain purchase is related to the additional acquisition of shares of the Company's consolidated subsidiary, Thai Penta–Ocean Co., Ltd.
Gain on forgiveness of debts to minority shareholders was recognized when a liquidation procedure of the Company's consolidated subsidiary, Obama Marine Co., Ltd. had been completed.

11. Extraordinary losses

The composition of Extraordinary losses for the fiscal years ended March 31, 2014 and 2015 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	**2015**	**2015**
Loss on sales of non–current assets	¥ 38	**¥ 177**	**$ 1,474**
Loss on retirement of non–current assets	230	**101**	**842**
Impairment loss (*1)	201	**1,440**	**11,980**
Settlement package	195	**—**	**—**
Other	126	**49**	**480**
Total	¥790	**¥1,767**	**$14,704**

(*1) The Company recognized impairment loss for the following group of assets in the current fiscal years ended March 31, 2014 and 2015.

For the year ended March 31, 2014

Classification	Type of Assets	Location	Impairment loss
Business assets	Land	Chiba	¥201 million

In principle, the Company and its consolidated subsidiaries have classified the fixed assets by business control unit such as company, branch office, and business line, which controls its revenue and expenditure continuously.

Book values of above assets were written down to recoverable amounts due to following reasons. Management decision on disposal has been made and no alternative investment has been planned. The impairment loss (¥201 million) was accounted for as extraordinary losses.

The recoverable amounts were measured by net realizable amounts based on contract price.

For the year ended March 31, 2015

Classification	Type of Assets	Location	Impairment loss
Leased assets	Land, Buildings	Hokkaido	¥49 million $402 thousand
Business assets	Land, Mining rights	Saga	¥1,391 million $11,578 thousand

In principle, the Company and its consolidated subsidiaries have classified the fixed assets by business control unit such as company, branch office, and business line, which controls its revenue and expenditure continuously.

Book values of above assets were written down to recoverable amounts due to following reasons. Management decision on disposal has been made and no alternative investment has been planned. The impairment loss (¥1,440 million, U.S.$11,980 thousand) was accounted for as extraordinary losses.

The recoverable amounts were measured by net realizable amounts based on contract price or estimated sales price.

12. Research and development costs

Research and development costs charged to income are ¥1,647 million for the fiscal year 2014 and ¥1,633 million (U.S.$13,593 thousand) for the fiscal year 2015, respectively.

13. Other comprehensive income

The following table presents reclassification and tax effects allocated to each component of other comprehensive income for the years ended March 31, 2014 and 2015:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Valuation difference on available–for–sale securities			
Amount arising during the year	¥2,377	**¥1,154**	**$ 9,602**
Reclassification adjustment for gains and losses realized in net income	5	**(52)**	**(431)**
Amount before tax effect	2,381	**1,102**	**9,171**
Tax effect	(813)	**(245)**	**(2,035)**
Valuation difference on available–for–sale securities	1,567	**857**	**7,136**
Deferred gains (losses) on hedges			
Amount arising during the year	(1,094)	**(1,806)**	**(15,032)**
Reclassification adjustment for gains and losses realized in net income	695	**1,795**	**14,938**
Amount before tax effect	(399)	**(11)**	**(94)**
Tax effect	390	**3**	**28**
Deferred gains (losses) on hedges	(9)	**(8)**	**(66)**
Revaluation reserve for land			
Tax effect	—	**550**	**4,570**
Foreign currency translation adjustments			
Amount arising during the year	21	**17**	**142**
Reclassification adjustment for gains and losses realized in net income	—	**(6)**	**(52)**
Amount before tax effect	21	**11**	**90**
Tax effect	—	**—**	**—**
Foreign currency translation adjustments	21	**11**	**90**
Remeasurements of defined benefit plans			
Amount arising during the year	—	**3,985**	**33,160**
Reclassification adjustment for gains and losses realized in net income	—	**1,817**	**15,123**
Amount before tax effect	—	**5,802**	**48,283**
Tax effect	—	**(2,005)**	**(16,684)**
Remeasurements of defined benefit plans	—	**3,797**	**31,599**
Share of other comprehensive income of associates accounted for using equity method			
Amount arising during the year	1	**1**	**9**
Reclassification adjustment for gains and losses realized in net income	—	**—**	**—**
Share of other comprehensive income of associates accounted for using equity method	1	**1**	**9**
Total of other comprehensive income	¥1,580	**¥5,208**	**$43,338**

14. Summary of operating lease transactions

Future lease payments, about non–cancelable operating lease assets as of March 31, 2014 and 2015 are as follows:

<Borrower>

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Within one year	¥ 453	**¥ 453**	**$3,772**
Over one year	1,096	**642**	**5,344**
Total	¥1,549	**¥1,095**	**$9,116**

<Lender>

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Within one year	¥165	**¥193**	**$1,606**
Over one year	331	**193**	**1,606**
Total	¥496	**¥386**	**$3,212**

15. Derivative financial transactions

(1) Matters concerning derivative financial transactions

The Company and its consolidated subsidiaries have entered into interest rate swap agreements and forward exchange contracts only for hedging risks from fluctuation in interest rates and foreign exchange rates, not for speculative purposes.

The derivative financial transactions are mainly performed by the Company, and have been made in accordance with the bylaw, which clearly describes purposes, execution and control for transaction.

(2) Matters concerning fair value

Hedge accounting is applied for all derivative financial transactions for the year ended March 31, 2014 and 2015 and accordingly fair value information is waived.

16. Commitments and contingent liabilities

As of March 31, 2015, the Company has liabilities for guarantee to bank loans made by customers amounting to ¥711 million (U.S.$5,919 thousand).

The Company also has the guarantee amounting to ¥126 million (U.S.$1,051 thousand) to purchasers concerning deposits for purchase of the condominium apartments.

The Company has agreements on commitment line with 23 banks totaling ¥32,621 million (U.S. $ 271,453 thousand) for the purpose of flexible financing. Unused commitment line as of March 31, 2014 and 2015 are as follows.

	Millions of yen		Thousands of U.S. dollars
	2014	**2015**	**2015**
Commitment line			
Total of commitment line	¥30,000	**¥32,621**	**$271,453**
Use of commitment	¥ 6,600	**¥ 9,374**	**$ 78,002**
Total of unused commitment line	¥23,400	**¥23,247**	**$193,451**

The amount of total of commitment line in 2015 includes foreign currency commitment line of 30,000 thousand Singapore dollar (¥2,621 million, U.S.$21,807 thousand) and the amount of use of commitment in 2015 includes 10,000 thousand Singapore dollar (¥874 million, U.S.$7,269 thousand) related to the commitment line in Singapore dollar.

17. Tax effect accounting

1. The significant components of deferred tax assets and liabilities are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	**2015**	**2015**
Deferred tax assets			
Net operating loss carried forward	¥1,417	**¥ 255**	**$ 2,119**
Employees' retirement benefits trust	2,257	**2,073**	**17,253**
Net defined benefit liability	1,213	**45**	**376**
Impairment loss	743	**854**	**7,106**
Loss on valuation of real estate for sale	1,839	**1,793**	**14,924**
Provision for loss on construction contracts	965	**992**	**8,256**
Allowance for doubtful accounts	1,000	**757**	**6,298**
Provision for bonuses	483	**512**	**4,259**
Other	1,365	**1,101**	**9,156**
Total: deferred tax assets	11,282	**8,382**	**69,747**
Less : valuation allowance	(3,709)	**(2,995)**	**(24,922)**
Deferred tax assets	¥7,573	**¥5,387**	**$44,825**
Deferred tax liabilities			
Prepaid pension cost	¥ —	**¥ (388)**	**$ (3,231)**
Valuation difference on available–for–sale securities	(1,371)	**(1,616)**	**(13,447)**
Depreciation	(14)	**—**	**—**
Other	(82)	**(139)**	**(1,145)**
Total: deferred tax liabilities	(1,467)	**(2,143)**	**(17,823)**
Net: deferred tax assets	¥6,106	**¥3,244**	**$27,002**

2. The principal details of the material differences between the statutory effective tax rate and the actual burden tax rates after application of tax–effect accounting:

	2014	**2015**
The statutory effective tax rate	38.01%	**35.64%**
(Adjustments)		
Permanent differences (expense)	6.39	**8.80**
Permanent differences (income)	(2.31)	**(1.31)**
Per capita levy on inhabitant tax	2.56	**1.06**
Consolidated adjustments	0.79	**0.70**
Increase (Decrease) in valuation allowance	(7.63)	**(1.33)**
Foreign corporation tax	13.79	**(3.50)**
Downward adjustment of deferred tax assets at the year end due to the change in corporate tax rates	2.92	**4.65**
Effect from the application of consolidated taxation system	0.79	**(2.74)**
Other	0.27	**(3.56)**
Actual burden tax rates after the application of tax effect accounting	55.58%	**38.41%**

3. Change in effective statutory tax rate

In accordance with the promulgation on March 31, 2015, of the "Act on Partial Revision of the Income Tax Act, etc." (Act No.9 of 2015) and the "Act on Partial Revision of the Local Tax Act, etc." (Act No.2 of 2015), the effective statutory tax rate of 35.64% utilized previously for the computation of deferred tax assets and deferred tax liabilities for the fiscal year ended March 31, 2014 (applied only to temporary differences expected to be recovered or settled on or after April 1, 2015) has been revised to 33.10% for temporary differences expected to be recovered or settled during the period from April 1, 2015 to March 31, 2016, and to 32.34% for temporary differences expected to be recovered or settled from April 1, 2016.

As a result, net deferred tax assets (after offsetting deferred tax liabilities) decreased by ¥246 million, deferred tax liabilities for land revaluation decreased by ¥550 million, income taxes–deferred increased by ¥473 million, revaluation reserve for land increased by ¥550 million, valuation difference on available–for–sale securities increased by ¥164 million, and remeasurements of defined benefit plans increased by ¥62 million as of and for the fiscal year ended March 31, 2015.

18. Net assets

(1) Legal retained earnings and legal capital surplus

The Japanese Corporate Law requires to provide a legal retained earnings equal to 10 percent of cash out flow, that is, payment of dividends approved by the Shareholders' meeting every fiscal years, until the total amounts of legal retained earnings plus legal capital surplus or either of them reach 25 percent of capital stock.

In the consolidated financial statements, those are included in retained earnings and capital surplus, respectively.

(2) Revaluation reserve for land

Lands used for business purposes has been revaluated on March 31, 2000 based on the "Law Concerning Land Revaluation (Law No. 34, promulgated on March 31, 1998)" and the "Partial Revision of the Law Concerning Land Revaluation (Law No. 24, promulgated on March 31, 1999)." Relating to revaluation excess, the deferred tax on the revaluation is accounted for as a long–term deferred tax liabilities and the remaining revaluation difference is accounted for as revaluation reserve for land in net assets.

	Millions of yen		Thousands of U.S. dollars
	2014	**2015**	**2015**
The difference between the appraisal value of land at the end of the current fiscal year and the book value	¥12,379	**¥11,705**	**$97,401**

Fair values were determined on the basis of Article 2 No. 4 and 5 of an Enforcement ordinance No. 119 of the Law concerning Land Revaluation promulgated on March 31, 1998.

(3) Valuation difference on availabe–for–sale securities

Valuation difference on availabe–for–sale securities is based on the difference between fair market value and book value at March 31. This amounted to ¥3,607 million (U.S.$36,018 thousand) gain as of March 31, 2015.

19. Retirement benefits

The Company and its other consolidated subsidiaries have funded or unfunded type defined benefit plan and defined contribution plan.

The Company has introduced cash balance plan as defined benefit corporate pension plan (funded only and that solely adopted by the Company), which establishes nominal individual accounts equivalent to funds of funded and annuity amounts. In the nominal individual accounts interest credit based on market interest and contribution credit based on classification and evaluation are accumulated. Retirement benefit trust has established for the defined benefit corporate pension plan.

Based on lump–sum payment plans (unfunded but become funded as a result of establishment of retirement benefit trust), lump–sum payment based on classification and evaluation as retirement benefit.

In lump–sum payment plans held by other consolidated subsidiaries, the simplified calculation methods are applied for retirement benefit liability and service costs.

(1) The changes in the retirement benefit obligation and the plan assets during the years ended March 31, 2014 and 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Retirement benefit obligation at the beginning of year	¥25,572	**¥24,834**	**$206,655**
Cumulative effect of chang in accounting principle	—	**1,755**	**14,611**
Restated balance at the beginning of the year	25,572	**26,589**	**221,266**
Service cost	1,037	**1,132**	**9,418**
Interest cost	404	**210**	**1,746**
Actuarial gain and loss	(51)	**(494)**	**(4,109)**
Retirement benefits paid	(2,128)	**(1,760)**	**(14,648)**
Prior service cost	—	**19**	**158**
Retirement benefit obligation at end of year	¥24,834	**¥25,696**	**$213,831**

(2) The change in the plan assets during the years ended March 31, 2014 and 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Plan assets at the beginning of year	¥19,260	**¥21,438**	**$178,392**
Expected return on plan assets	344	**371**	**3,092**
Actuarial gain	986	**3,491**	**29,052**
Contributions by the Company	2,561	**2,995**	**24,921**
Retirement benefits paid	(1,713)	**(1,455)**	**(12,108)**
Plan assets at the end of year	¥21,438	**¥26,840**	**$223,349**

(3) The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheets as of March 31, 2014 and 2015 for the Company's and the consolidated subsidiaries' defined benefit plans:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Funded retirement benefit obligation	¥24,469	**¥25,311**	**$210,627**
Plan assets at fair value	(21,437)	**(26,840)**	**(223,349)**
	¥ 3,032	**¥ (1,529)**	**$ (12,722)**
Unfunded retirement benefit obligation	364	**386**	**3,205**
Net liability for retirement benefits in the balance sheet	¥ 3,396	**¥ (1,143)**	**$ (9,517)**
Net defined benefit liability	¥ 3,396	**¥118**	**$ 980**
Net defined benefit asset	—	**(1,261)**	**(10,497)**
Net liability for retirement benefits in the balance sheet	¥ 3,396	**¥ (1,143)**	**$ (9,517)**

(4) The components of retirement benefit expense for the years ended March 31, 2014 and 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Service cost	¥1,037	**¥1,132**	**$ 9,418**
Interest cost	404	**210**	**1,746**
Expected return on plan assets	(344)	**(372)**	**(3,092)**
Amortization of actuarial gain and loss	313	**515**	**4,292**
Amortization of prior service cost	—	**19**	**158**
Amortization of net retirement benefit obligation at transition	1,302	**1,302**	**10,832**
Retirement benefit expense	¥2,712	**¥2,806**	**$23,354**

Note: Retirement benefit expense of consolidated subsidiaries which adopt the simplified method are included in "Service cost."

(5) The components of remeasurements of defined benefit plans included in other comprehensive income (before tax effect) for the years ended 31, 2014 and 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Actuarial gain and loss	¥ —	**¥4,500**	**$37,451**
Net retirement benefit obligation at transition	—	**1,302**	**10,832**
Total	¥ —	**¥5,802**	**$48,283**

(6) The components of remeasurements of defined benefit plans included in accumulated other comprehensive income (before tax effect) as of March 31, 2014 and 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Unrecognized actuarial gain and loss	¥2,595	**¥1,906**	**$15,858**
Unrecognized net retirement benefit obligation at transition	1,302	**—**	**—**
Total	¥3,897	**¥1,906**	**$15,858**

(7) The fair value of plan assets, major category, as a percentage of total plan assets as of March 31, 2014 and 2015 are as follows:

	2014	2015
Bonds	37%	**36%**
Stocks	47	**50**
General accounts	5	**5**
Cash and deposits	0	**0**
Others	11	**9**
Total	100%	**100%**

Note: Total plan assets include retirement benefit trusts of 11% and 13% that are set up for a corporate pension plan as of March 31, 2014 and 2015, respectively

The expected return on assets has been estimated based on the anticipated allocation to each asset class and the expected long–term returns on assets held in each category.

(8) The assumptions used in accounting for the above plans are as follows:

	2014	2015
Discount rates	1.6%	**0.8%**
Expected rates of long–term return on plan assets	1.4–2.0%	**1.2–2.0%**
Expected rates of s increase in salary	3.1–5.0%	**3.1–5.0%**

20. Financial instruments

(1) Policy for acquiring Financial instruments

The Company and its consolidated subsidiaries have limited the instruments of fund investment to short term deposits and other, and relied on bonds payable or bank loans for fund procurement.

Regarding credit risk to customers related to notes receivable, accounts receivable from completed construction contracts and other the Company and its consolidated subsidiaries' bylaw has been applied to reduce the risk. Additionally notes receivable, accounts receivable from completed construction contracts and other in foreign currencies are exposed to foreign currency risk, and the Company enters into forward exchange contracts to hedge the risk.

Investment securities include mainly stocks, held–to–maturity bonds and investment trusts and are exposed to fluctuation of market value. Those fair values, financial status of the issuers and so on are checked regularly. Accounts receivable–other is mainly credit other than accounts receivable associated with operating transactions and most of the accounts are collected in short term and detail of the balance is reviewed on monthly basis.

Bonds payable and Loans payable are mainly for procurement for operating funds and the Company enters into interest rate swap agreements and manages to fix its interest cost to hedge the risk from interest volatility related to long–term loans payable.

Execution and control of derivative transaction is held in accordance with the Company's bylaw where its purpose, action and control of such transaction are clearly stated and derivative transactions shall not be used for speculative purpose.

(2) Estimated fair value of financial instrumentsa

Book value on consolidated balance sheet, fair value and the difference as of March 31, 2014 are as follows:

	Millions of yen		
	Book value on consolidated B/S	Fair value	Difference
Assets			
(1) Cash and deposits	¥ 32,602	¥ 32,602	¥ —
(2) Notes receivable, accounts receivable from completed construction contracts and other	131,640	131,622	(18)
(3) Accounts receivable–other	11,478	11,478	—
(4) Investment securities	12,532	12,541	9
Total Assets	¥188,252	¥188,243	¥ (9)
Liabilities			
(1) Notes payable, accounts payable for construction contracts and other	¥101,975	¥101,975	¥ —
(2) Electronically recorded obligations–operating	5,772	5,772	—
(3) Short–term loans payable	24,060	24,060	—
(4) Bonds payable (*1)	20,000	20,286	286
(5) Long–term loans payable (*1)	30,878	31,020	142
Total Liabilities	¥182,685	¥183,113	¥428
Derivative transaction (*2)	¥ (15)	¥ (15)	¥ —

(*1) Bonds payable includes the current portion of bonds payable being redeemed.
Long–term loans payable includes the current portion of long–term loans payable.
(*2) The debit and credit balances recorded by derivative transaction are offset each other.

(Note 1) Calculation method of financial instruments' fair value and securities and derivative transaction

Assets

(1) Cash and deposits, (3) Accounts receivable–other
Since these items are settled within the short term, the fair values are nearly equivalent to the book values therefore the book value is used.

(2) Notes receivable, accounts receivable from completed construction contracts and other
These items' fair values are the present value, discounted by using interest rate determined based on the term until maturity and credit risk with respect to the receivables categorized by a certain period.

(4) Investment securities
The fair value of stocks and bonds present the market values. The fair value of investment trust is based on the standard price released to public.

Liabilities

(1) Notes payable, accounts payable for construction contracts and other, (2) Electronically recorded obligations–operating, (3) Short–term loans payable
Since these items are settled within short term, the fair values are nearly equivalent to book values, therefore the current book value is used.

(4) Bonds payable (5) Long–term loans payable
The fair value of these items are calculated by discounting the total of principal and interest using interest rate calculated assuming the loan is newly made or the bond is newly issued. Long–term loans payable with floating rate is subject to a special treatment of interest rate swap and is calculated by discounting the total of principal and interest, accounted for as if they were integral part of the interest rate swap, by interest rate that is reasonably estimated and applied in the case of similar loan.

Derivative transaction

It is forward exchange contracts, and fair value is calculated by using a forward exchange rate. However the transactions that apply to a special treatment of interest rate swap are accounted for as if they were integral part of the hedged long–term loans payable, its fair value is included in the fair value of long–term loans payable.

(Note 2) Since unlisted stocks (balance on consolidated balance sheet ¥2,871 million have no market value, have no estimated future cash flows and are quite difficult to recognize the fair value, they are not included in "(4) Investment securities."

(Note 3) Redemption schedule for receivables and marketable securities with maturities at March 31, 2014

	Millions of yen			
	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through Ten Years	Due after Ten Years
Cash and deposits	¥ 32,539	¥ —	¥ —	¥ —
Notes receivable, accounts receivable from completed construction contracts and other	123,320	8,320	—	—
Investment securities				
Held–to–maturity bonds				
National and local government bonds	—	63	162	—
Corporate bonds	—	10	—	—
Other marketable securities with maturities				
Corporate bonds	—	—	100	—
Other	—	—	—	—
Accounts receivable – other	11,478	—	—	—
Total	¥167,337	¥8,393	¥262	¥ —

Book value on consolidated balance sheet, fair value and the difference as of March 31, 2015 are as follows:

	Millions of yen		
	Book value on consolidated B/S	Fair value	Difference
Assets			
(1) Cash and deposits	¥ 38,469	¥ 38,469	¥ —
(2) Notes receivable, accounts receivable from completed construction contracts and other	170,229	170,228	(1)
(3) Securities and investment securities	13,825	13,833	8
(4) Accounts receivable – other	26,693	26,693	—
Total Assets	¥249,216	¥249,223	¥ 7
Liabilities			
(1) Notes payable, accounts payable for construction contracts and other	¥127,083	¥127,083	¥ —
(2) Electronically recorded obligations – operating	9,808	9,808	—
(3) Short–term loans payable	27,255	27,255	—
(4) Commercial papers	19,996	19,996	—
(5) Bonds payable	20,000	20,176	176
(6) Long–term loans payable (*1)	27,646	28,058	412
Total Liabilities	¥231,788	¥232,376	¥588
Derivative transaction (*2)	¥ (26)	¥ (26)	¥ —

	Thousands of U.S. dollars		
	Book value on consolidated B/S	Fair value	Difference
Assets			
(1) Cash and deposits	$ 320,125	$ 320,125	$ —
(2) Notes receivable, accounts receivable from completed construction contracts and other	1,416,564	1,416,556	(8)
(3) Securities and investment securities	115,040	115,109	69
(4) Accounts receivable – other	222,130	222,130	—
Total Assets	$2,073,859	$2,073,920	$ 61
Liabilities			
(1) Notes payable, accounts payable for construction contracts and other	$1,057,529	$1,057,529	$ —
(2) Electronically recorded obligations – operating	81,615	81,615	—
(3) Short–term loans payable	226,802	226,802	—
(4) Commercial papers	166,400	166,400	—
(5) Bonds payable	166,431	167,895	1,464
(6) Long–term loans payable (*1)	230,056	233,486	3,430
Total Liabilities	$1,928,833	$1,933,727	$4,894
Derivative transaction (*2)	$ (218)	$ (218)	$ —

(*1) Long–term loans payable includes the current portion of long–term loans payable.
(*2) The debit and credit balances recorded by derivative transaction are offset each other.

(Note 1) Calculation method of financial instruments' fair value and securities and derivative transaction

Assets

(1) Cash and deposits, (4) Accounts receivable–other

Since these items are settled within the short term, the fair values are nearly equivalent to the book values therefore the book value is used.

(2) Notes receivable, accounts receivable from completed construction contracts and other

These items' fair values are the present value, discounted by using interest rate determined based on the term until maturity and credit risk with respect to the receivables categorized by a certain period.

(3) Securities and investment securities

The fair value of stocks and bonds present the market values. The fair value of investment trust is based on the standard price released to public.

Liabilities

(1) Notes payable, accounts payable for construction contracts and other, (2) Electronically recorded obligations–operating, (3) Short–term loans payable, (4) Commercial papers

Since these items are settled within short term, the fair values are nearly equivalent to book values, therefore the current book value is used.

(5) Bonds payable, (6) Long–term loans payable

The fair value of these items are calculated by discounting the total of principal and interest using interest rate calculated assuming the loan is newly made or the bond is newly issued. Long–term loans payable with floating rate is subject to a special treatment of interest rate swap and is calculated by discounting the total of principal and interest, accounted for as if they were integral part of the interest rate swap, by interest rate that is reasonably estimated and applied in the case of similar loan.

Derivative transaction

It is forward exchange contracts, and fair value is calculated by using a forward exchange rate. However the transactions that apply to a special treatment of interest rate swap are accounted for as if they were integral part of the hedged long–term loans payable, its fair value is included in the fair value of long–term loans payable.

(Notes 2) Since unlisted stocks (balance on consolidated balance sheet ¥2,880 million (U.S. $23,970 thousand)) have no market value, have no estimated future cash flows and are quite difficult to recognize the fair value, they are not included in "(3) Securities and investment securities".

(Notes 3) Redemption schedule for receivables and marketable securities with maturities at March 31, 2015

	Millions of yen			
	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through Ten Years	Due after Ten Years
Cash and deposits	¥ 38,428	¥ —	¥ —	¥ —
Notes receivable, accounts receivable from completed construction contracts and other	166,757	3,472	—	—
Securities and investment securities				
Held–to–maturity bonds				
National and local government bonds	33	87	147	—
Corporate bonds	10	—	—	—
Other marketable securities with maturities				
Corporate bonds	—	—	100	—
Other	—	—	—	—
Accounts receivable – other	26,693	—	—	—
Total	¥231,921	¥3,559	¥247	¥ —

	Thousands of U.S. dollars			
	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through Ten Years	Due after Ten Years
Cash and deposits	$ 319,778	$ —	$ —	$ —
Notes receivable, accounts receivable from completed construction contracts and other	1,387,672	28,892	—	—
Securities and investment securities				
Held–to–maturity bonds				
National and local government bonds	273	720	1,226	—
Corporate bonds	83	—	—	—
Other marketable securities with maturities				
Corporate bonds	—	—	832	—
Other	—	—	—	—
Accounts receivable – other	222,130	—	—	—
Total	$1,929,936	$29,612	$2,058	$ —

(Note 4) The redemption schedule for short–term and long–term loans, commercial papers and bonds payable is disclosed in Note 7.

21. Segment information

(Segment information)

1. General information about reportable segments

The reportable segments of the Group are components for which discrete financial information is available and whose operating results are regularly reviewed by the Executive Committee to make decisions about resource allocation and to assess performance.

The Company is organized into business units based on their products and services and has four reported segments as follows:

(1) Domestic civil engineering segment ·················· Construction of domestic civil engineering and other

(2) Domestic building construction segment ············· Construction of domestic building construction and other

(3) Overseas segment ···································· Construction of overseas and other

(4) Domestic real estate development segment ········ Sale or rent of domestic real estate and other

2. Information about basis of measurement of reported segment sales, profit or loss, assets, and other items

The accounting policies of the segments are substantially the same as those described in the summary of significant accounting policies in Note 3. Segment performance is evaluated based on operating income or loss.

Intersegment sales and transfers are based on prevailing market price.

The Company do not allocate assets to business segments.

3. Information about amount of reportable segment sales, profit or loss, and other items

Millions of yen

Year ended March 31, 2014	Reportable segment: Domestic civil engineering segment	Domestic building construction segment	Overseas segment	Domestic real estate development segment	Total	Other (Note 1)	Total	Ajustments (Note 2)	Recorded amount on consolidated statement of income (Note 3)
Net sales:									
Sales to third parties	¥140,887	¥127,792	¥104,598	¥2,430	¥375,707	¥5,475	¥381,182	¥ —	¥381,182
Intersegment sales and transfers	182	2	—	177	361	1,584	1,945	(1,945)	—
Total	141,069	127,794	104,598	2,607	376,068	7,059	383,127	(1,945)	381,182
Segment profit (loss)	7,387	545	2,633	(988)	9,577	305	9,882	14	9,896
Other item:									
Depreciation	1,558	338	2,227	59	4,182	525	4,706	(43)	4,663

Millions of yen

Year ended March 31, 2015	Reportable segment: Domestic civil engineering segment	Domestic building construction segment	Overseas segment	Domestic real estate development segment	Total	Other (Note 1)	Total	Ajustments (Note 2)	Recorded amount on consolidated statement of income (Note 3)
Net sales:									
Sales to third parties	¥147,147	¥130,763	¥138,473	¥1,895	¥418,278	¥7,960	¥426,238	¥ —	¥426,238
Intersegment sales and transfers	638	3	—	174	815	2,237	3,052	(3,052)	—
Total	147,785	130,766	138,473	2,069	419,093	10,197	429,290	(3,052)	426,238
Segment profit (loss)	5,307	2,037	4,820	(279)	11,885	398	12,283	10	12,293
Other item:									
Depreciation	1,666	411	2,624	58	4,759	542	5,301	(13)	5,288

Thousands of U.S. dollars

Year ended March 31, 2015	Reportable segment: Domestic civil engineering segment	Domestic building construction segment	Overseas segment	Domestic real estate development segment	Total	Other (Note 1)	Total	Ajustments (Note 2)	Recorded amount on consolidated statement of income (Note 3)
Net sales:									
Sales to third parties	$1,224,489	$1,088,150	$1,152,311	$15,770	$3,480,720	$66,236	$3,546,956	$ —	$3,546,956
Intersegment sales and transfers	5,313	24	—	1,449	6,786	18,615	25,401	(25,401)	—
Total	1,229,802	1,088,174	1,152,311	17,219	3,487,506	84,851	3,572,357	(25,401)	3,546,956
Segment profit (loss)	44,167	16,947	40,112	(2,316)	98,910	3,308	102,218	82	102,300
Other item:									
Depreciation	13,863	3,423	21,832	484	39,602	4,509	44,111	(103)	44,008

Notes
(1) Division of "Other" includes shipbuilding, leasing business, insurance business and consulting business.
(2) The adjustment of segment profit (loss) is intersegment elimination.
(3) Segment profit is adjusted with operating income in the consolidated statement of income.

(Related information)
For the year ended March 31, 2014
1. Information of each products and service
   Please refer to Note 21 Segment information.

2. Geographical information

(1) Net sales

Japan	Southeast Asia	Other	Total
¥276,426 million	¥103,831 million	¥925 million	¥381,182 million

Note: Net sales are based on customer location, and are divided by country or region.

(2) Property, plant and equipment

Japan	Southeast Asia	Other	Total
¥60,592 million	¥15,401 million	¥0 million	¥75,993 million

3. Each main customer

Name of Customer	Net sales	Related segment
Ministry of Land, Infrastructure, Transport and Tourism	¥47,193 million	Domestic civil engineering segment and Domestic building construction segment

For the year ended March 31, 2015
1. Information of each products and service
   Please refer to Note 21 Segment information.

2. Geographical information

(1) Net sales

Japan	Southeast Asia	Other	Total
¥287,599 million U.S.$2,393,266 thousand	¥136,912 million U.S.$1,139,319 thousand	¥1,727 million U.S.$14,371 thousand	¥426,238 million U.S.$3,546,956 thousand

Note: Net sales are based on customer location, and are divided by country or region.

(2) Property, plant and equipment

Japan	Southeast Asia	Other	Total
¥56,363 million U.S.$469,025 thousand	¥20,300 million U.S.$168,927 thousand	¥2 million U.S.$23 thousand	¥76,665 million U.S.$637,975 thousand

3. Each main customer

Name of Customer	Net sales	Related segment
Ministry of Land, Infrastructure, Transport and Tourism	¥44,335 million U.S.$368,932 thousand	Domestic civil engineering segment and Domestic building construction segment

(Information related to Impairment loss on fixed assets by reportable segment)
For the year ended March 31, 2014
There is no impairment loss divided by reportable segment.
The amount and contents of impairment loss which is not divided by reportable segment is omitted to disclose to Note 11 Extraordinary loss.

For the year ended March 31, 2015
There is no impairment loss divided by reportable segment.
The amount and contents of impairment loss which is not divided by reportable segment is omitted to disclose to Note 11 Extraordinary loss.

(Information related to the amortization of goodwill and unamortized balances)
This information is omitted, due to insignificant amount.

(Information related to gains on negative goodwill by reportable segments)
For the year ended March 31, 2014
None

For the year ended March 31, 2015
This information is omitted, due to insignificant amount.

22. Amounts per share

1. Per share information is summarized as follows:

	Yen		U.S. dollars
	2014	**2015**	**2015**
Net assets per share	¥235.53	**¥269.44**	**$2.24**
Net income per share	13.16	**21.63**	**0.18**

2. For the year ended March 31, 2014 and 2015, diluted net income per share is not disclosed, because the dilutive potential of shares of common stock is none.

23. Significant subsequent events

Dividends
For the year ended March 31, 2015

The following distribution of retained earnings of the Company, which has not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2015, was approved at the general shareholders' meeting held on June 26, 2015 and became effective June 29, 2015:

	Millions of yen	Thousands of U.S. dollars
	2015	**2015**
Cash dividends (¥4 (U.S.$0.03) per share)	**¥1,144**	**$9,517**

Independent Auditor's Report

EY
Building a better working world

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Independent Auditor's Report

The Board of Directors
PENTA-OCEAN CONSTRUCTION CO., LTD.

We have audited the accompanying consolidated financial statements of PENTA-OCEAN CONSTRUCTION CO., LTD. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2015, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of PENTA-OCEAN CONSTRUCTION CO., LTD. and its consolidated subsidiaries as at March 31, 2015, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 1.

Ernst & Young ShinNihon LLC
June 26, 2015

A member firm of Ernst & Young Global Limited